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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

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☆ APR 28 1938 ☆

THE ABC OF THE AAA FARM PROGRAM U. S. Department of Agriculture

A Brief Review of the Provisions of the Agricultural
Adjustment Act of 1938

The Agricultural Adjustment Administration farm program is designed to combat scarcity, both in the farm home and in the city home. It enables the Federal Government to help American farmers to conserve the fertility of the soil. It helps farmers to maintain, through good years and bad, supplies of farm products large enough to meet all the needs of American consumers and all the export market demands that will return a fair price to farmers.

It is also designed to help farmers establish and keep up an Ever-Normal Granary of reserve supplies of certain crops, large enough to prevent scarcity of these products in years of shortage or failure through drought or other natural cause.

History has shown that producing farm products in excess of market demands has forced farmers' prices so low that farmers' incomes have not been sufficient to provide satisfactory living conditions for their families. On the other hand, in lean years when drought or other natural hazard has reduced crops, consumers have had to pay unduly high prices because of the scarcity of food.

To help farmers avoid both scarcity and burdensome, wasteful surpluses of certain crops, is the purpose of the AAA farm program.

The program is carried on under the provisions of the Agricultural Adjustment Act of 1938, the Soil Conservation and Domestic Allotment Act, the Agricultural Marketing Agreement Act of 1937, and other related laws.

Any farmer in the United States may participate in the National farm program, which is essentially one of cooperation among farmers themselves. The only phases of the program which are not wholly voluntary are the marketing quotas which the law makes applicable to certain crops, listed in the Agricultural Adjustment Act of 1938, when supplies of these crops become excessive. And even these

marketing quotas can not become effective if one-third or more of the farmers affected, who vote in a secret referendum, are opposed to their application. When approved by two-thirds or more of the producers, marketing quotas are applicable to all producers.

Within counties the program is applied to individual farms by farmers who are elected to local and county committees by all the farmers in the local area who are taking part in the program.

Conserving Soil and Preventing Erosion

Under the program Federal payments are made to farmers to encourage and help them conserve the soil and its fertility by using certain approved agricultural practices. Not only do these payments contribute to the family income, but the practices add to the value of the land and of the farm property. Establishment of a good pasture, for example, may constitute an improvement worth many times its cost.

The payments made under the program enable farmers to put a suitable percentage of their land into soil-conserving crops such as pasture, legumes, green-manure crops, and trees. They help farmers follow soil-protecting and soil-building practices such as strip cropping, terracing, gully control, and contour farming. They make it unnecessary for farmers to overplant soil-depleting crops that expose the land to erosion by wind and water and that exhaust its fertility rapidly.

For each region of the United States there are approved soil-building practices through which farmers in that region can qualify for Federal payments. These practices have been selected because they have been found to be applicable and useful in that region. There are special provisions for encouraging and assisting in the adoption of range-conservation practices, and measures for the conservation of water, in semi-arid regions.

Starting the Ever-Normal Granary

Farmers are directly aided by these benefit payments to produce all the food, feed, and fiber that is needed in the United States and for desirable export markets; and to leave larger carry-overs or reserve supplies of cotton, corn, wheat, tobacco, and rice, than the Nation has ordinarily had in the past. This reserve makes a beginning toward filling the Ever-Normal Granary.

Acres Allotments - The first thing for farmers to do in order to qualify for benefit payments is to keep their plantings of soil-depleting crops within the acreage allotments or goals that have been worked out for these crops. These acreage allotments are the numbers of acres that, under ordinary conditions, will produce enough of the crops concerned to meet the domestic, export, and reserve needs that have been mentioned above. For cotton, corn,

wheat, tobacco, and rice, the supplies which the acreage goals are expected to produce, are specified in the Agricultural Adjustment Act of 1938.

The supply of each crop which it is desirable for the whole country to produce is determined first. Then the acreage which should produce this supply is figured out and is divided among States, counties and individual farms. In allotting this acreage the productivity of the soil, the size of the farm, the erosion problem, and the acreage which the farmer has been planting are all taken into account. The acreage allotments for individual farms are made through local and county committees of farmers elected by those farmers who are taking part in the Agricultural Conservation Program. Only persons (men and women) who derive the major source of their income from farming, are eligible for election to these committees.

Crop Loans - The next step in the program is to help farmers keep the Ever-Normal Granary full, to hold over extra reserves from good years to meet the needs of lean years. Government loans on the crops themselves make it unnecessary for farmers to sell the whole of an unusually large crop on an overloaded market and thus break the price. The loans also assure consumers and farmers that in poor crop years there will be supplies of farm products on hand to prevent prices from soaring.

The loans are made through the Commodity Credit Corporation. The rates at which they are made depend upon the price and supply of the crops. For most farm products the rate will be between 52 percent and 75 percent of the parity price of the product.

Crop Insurance - In addition to the loans, the new Act provides a plan for crop insurance for wheat, beginning with the 1939 crop. The insurance will cover a specified percentage of the normal crop for the farm. Insurance premiums and claims will be paid in wheat or its cash equivalent. The Federal Crop Insurance Corporation will hold the wheat paid in as premiums and it will become an additional reserve stock. When an insured grower loses all or a part of his crop he will receive as much wheat as it takes to bring his crop up to the amount for which it was insured.

Marketing Quotas - High crop yields in a succession of years might cause surpluses for the Ever-Normal Granary, such as wrecked farm prices in the years just before 1933. To prevent this the Agricultural Adjustment Act of 1938 provides that when the supply of cotton, corn, wheat, tobacco, or rice reaches a certain volume, specified in the Act, quotas on the marketing of that crop shall go into effect. Such quotas provide for marketing as much of a farm product as is needed for domestic use, export and for reserve.

First, however, all producers of the commodity concerned vote in a referendum on the question of whether or not they favor the ap-

plication of the quota. If more than one-third of them oppose it, the quota does not become effective.

If the quota is applied, it is figured like the allotments, first in terms of the amount of the product to be marketed in the country as a whole, and then divided among States, counties, and individual farms so as to give each farmer a fair share in the total national marketing.

When a marketing quota is in effect, loans are made to producers in order to enable them to carry over without loss that portion of their crop which can not be marketed without the penalty provided in the Act for excessive marketing. This portion thus becomes an additional reserve supply.

Marketing quotas will be increased or entirely removed if any need or market outlet arises for more of a farm product than the quota originally called for.

Other Provisions

The new farm program continues several other measures for dealing with the farm problem, that have been used in past years. Among these are the marketing agreements and orders regulating the marketing of certain specified crops.

The Act authorizes surplus-removal operations under which the Government buys surpluses, removes them from regular market channels, and distributes them for relief use. It also provides for the discovery and development of new uses and market outlets for farm products, both in this country and abroad.

For additional information, the following circulars are suggested:

"The New Farm Act", G-83, AAA, printed.

"Crop Insurance for Wheat Growers", G-84, AAA, printed.

"Agricultural Conservation in 1938 -- Why?", G-77, AAA, printed.

"Corn Loans, Acreage Allotments, and Marketing Quotas",

38-Corn-1, AAA, printed.

"Balanced Farming for (Name of State in East Central Region)",
ECR 202, AAA, printed.

"The 1938 Farm Program for Indiana, Illinois, Iowa, Missouri, Michigan, Minnesota, Ohio, and Wisconsin", NCR Leaflet 201, AAA, printed.

"The 1938 Farm Program for Nebraska and South Dakota", NCR
Leaflet 202, AAA, printed.

"Summary of the 1938 AAA Farm Program -- Northeast Region",
NER 213, Revised, AAA, printed.

"How the AAA Farm Program will Operate in 1938, as it Applies to Alabama, Florida, Georgia, Louisiana, Mississippi, South Carolina, and Various Counties in Arkansas", SR Leaflet 201, AAA, printed.

- "How the AAA Farm Program Will Operate in 1938, as it Applies to Oklahoma, Texas, and Various Counties in Arkansas", SR Leaflet 202, AAA, printed.
- "Improvement and Conservation of Oklahoma and Texas Range-Lands", SR Leaflet 251, AAA, printed.
- "The 1938 AAA Farm Program -- Western Region", WR Leaflet 201, AAA, printed.
- "The 1938 Range Conservation Program -- Western Region", WR Leaflet 202, AAA, printed.
- "Marketing Agreements for Fruits and Vegetables", GCM-3, AAA, printed.
- "Stability in Milk Markets", DM-3, AAA, printed.
- "Stopping Waste in Farm Surpluses", MI-2, AAA, printed.

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